Retiring Times

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The Newsletter of the Vermont Municipal Employees' Retirement System

Message from Vermont State Treasurer James Douglas

We all hear about how little Americans save. Will you have enough for retirement? I know, you have your pension plan and social security, but will that be enough when the time comes? A three-legged stool is often used to describe retirement needs for most individuals. The three legs consist of: 1) a pension plan, 2) social security and 3) personal savings. No stool will stand alone on only two of these three legs.

In addition to external tax-advantaged savings plans such as IRAs, the State of Vermont offers a Deferred Compensation Plan that is available to all state and municipal employees. The plan administrator is Citistreet, and they have an office at 138 Main Street in Montpelier. Their phone number is (802) 229-2500 or toll-free at (800) 333-8701. If your municipality does not offer this plan, encourage it to do so. It is a wonderful way to save for retirement – with before-tax dollars.

Do you think that you cannot afford to save? I bet you can. It can often be difficult to put aside a little bit out of each paycheck, but even a little bit of money put aside in a deferred comp savings plan can grow to a tidy nest egg when compounded over time. If you save just the minimum $20 every two weeks over a 30-year time horizon, you could have nearly $60,000 when you retire at the end of those 30 years, if your investments compound at only 8%. Besides, since your contributions are pre-tax, you will only see your bi-weekly paycheck reduced by $16.25 because you save $3.75 in taxes. If you are in a higher tax-bracket, your tax savings are even greater.

If you don't have 30 years until retirement, your money will still compound and grow. Besides, now that you are a little older, perhaps you can afford to save more than the minimum out of each paycheck. Even after

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Message from Retirement Operations Director Cynthia Webster

The Legislature was kind to the Vermont Municipal Employees' Retirement System (VMERS) once again this year. The Board of Trustees and the Retirement Office jointly proposed several statutory changes that were well-received in the State House. The following enhancements apply to all defined benefit group plans effective July 1, 2001.

- Members can purchase *up to five years* of military service on a cost neutral basis if they meet specific eligibility criteria. The eligibility criteria set forth in statute include a minimum of 15 years of creditable service and a minimum of one year of full-time military service prior to becoming a member of the system. The purchase of military service must be made prior to commencement of retirement benefits, and is not available to members who are receiving a pension for a career military retirement.

- Members can receive retirement credit during a period of absence to serve in the military.

- Members can accrue the maximum amount

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Treasurer's Message (continued from page 1)

10 years, the $20 minimum will have grown to over $7500, which is three times what you contributed. At present, the maximum you can contribute each year is 25% of your salary or $8500, whichever is less. Next year, the limit rises to $11,000.

The Deferred Comp Plan has 18 different mutual fund investment options. Most of these are domestic stock funds, but there are international stock funds, bond funds and blended funds as well. If you feel insecure about investing, the folks at Citistreet will be glad to assist you. In addition, they offer three pre-assembled portfolios that have an asset mix all set for you. All you need to do is determine how many years you have until retirement and how much risk you are willing to assume. More risk usually means higher rates of return, but you have to be able to sleep at night too.

I urge all of you to consider the Deferred Compensation Plan. I have been contributing to it for years, and it has been terrific to watch my assets grow. Again, if your employer does not offer the plan, ask him to consider it. It won't cost him anything, and you will be able to start saving a little extra for your eventual retirement.

Workshops for Payroll Clerks

The Vermont Municipal Retirement System will be holding workshops for payroll clerks in October. These workshops will provide training for the payroll remittance forms that are sent to the Retirement Office. Workshops are being held in Bellows Falls, Manchester, Middlebury, Montpelier, Newport, Norwich, Rutland, St. Albans and St. Johnsbury. If you would like to attend one of these workshops, please see the payroll clerk newsletter for June of 2001 for a schedule or call Tina Kawecki at 802-828-3795 or toll-free from any Vermont exchange at 800-642-3191.

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Election Results for Board of Trustees

Two candidates ran for the single Trustee position. Steve Jeffrey, Executive Director of the Vermont League of Cities and Towns, was the incumbent running for re-election. Michael Hall, Sergeant with the Manchester Police Department, was the challenger.

With 605 votes, Steve Jeffrey was the winning candidate. Michael Hall received 219 votes. A total of 824 votes were counted. Congratulations to both men for a fine race between two well-qualified candidates.

Steve will begin his new term on the Board of Trustees on July 1, 2001. His term runs for three years.

Three Trustees are elected by active (current municipal employees) members of the Municipal Employees' Retirement System. The other two elected members are W. John "Jack" Mitchell and David Lewis. Their terms are also for three years. Members vote on one of the three elected Trustee positions each year.

Municipal Retirement Plan Options

Each year, municipalities have an option to move some or all of their employees to a different Group Plan. Only the legislative body for a municipality can request a new Group Plan. However, an employee can speak to the municipal managers and request a new Group Plan. The legislative body must vote and notify the Retirement Office by September 30 if they will be offering a new Group Plan, with the exception that they will have until December 31 to vote and notify the Retirement Office of the Defined Contribution (DC) Plan option. Employees will have until December 31 to decide if they wish to stay in their current Group Plan or change to the new Group Plan, with the exception that they will have until May to decide to change to the DC Plan option. The following chart compares the costs and benefits of the five Group Plans that are offered by the Vermont Municipal Employees' Retirement System.

Group Comparison	Group A	Group B	Group C	Group D	DC (Defined Contribution)
Employee Contributions	2.5% of gross salary	4.5% of gross salary	9% of gross salary	11% of gross salary	5% of gross salary
Employer Contributions	4% of gross salary for FY 2002	5% of gross salary for FY 2002	6% of gross salary for FY 2002	9% of gross salary for FY 2000	5% of gross salary
Average Final Compensation (AFC)	Highest 5 consecutive years of gross salary	Highest 3 consecutive years of gross salary	Highest 3 consecutive years of gross salary	Highest 2 consecutive years of gross salary	Value of account
Maximum Benefit	60% of AFC	60% of AFC	50% of AFC	50% of AFC	Value of account
Benefit Formula	1.4% X creditable service X AFC	1.7% X creditable service X AFC	2.5% X creditable service X AFC	2.5% X creditable service X AFC	Value of account
Normal Retirement Age (No reduction in benefits)	Age 65 with 5 yrs of service or age 55 with 35 yrs of service	Age 62 with 5 yrs of service or age 55 with 30 yrs of service	Age 55 with 5 yrs of service	Age 55 with 5 yrs of service	Minimum age of 55 with 1 yr of service
Post-Retirement COLA	½ of CPI, up to 2% per yr	½ of CPI, up to 3% per yr	½ of CPI, up to 3% per yr	½ of CPI, up to 3% per yr	None. Value of account and expected lifespan determine payments
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Not Applicable	Age 50 with 20 years of service	Age 55 (without penalty)
Early Retirement Reduction	6% per yr below age 65	6% per yr below age 62	Not Applicable	No Reduction	None (No guaranteed amount)
Post-Retirement Survivorship Options	100% and 50% (with or without "pop-up" options) with reduced monthly benefit based on the age of beneficiary	100% and 50% (with or without "pop-up" options) with reduced monthly benefit based on the age of beneficiary	100% and 50% (with or without "pop-up" options) with reduced monthly benefit based on the age of beneficiary	Automatic 70% spousal survivorship with no reduction in retiree's benefit	Full remaining value of account

Director's Message (continued from page 1)

for each group plan they have participated in, which will then be combined to arrive at a single monthly retirement benefit. This is advantageous to the long-term municipal employee who has participated in several plans and earned more than the maximum benefit allowed in the plan from which he or she retires. For example, a member who has served 20 years in group A, 10 years in group B and 5 years in group C will retire with 58% of his or her average final compensation under the new legislation. Under the previous statute, the most the member would have received was 50%, the maximum for the group C plan.

- *Employers*, on behalf of employees, can upgrade service accrued in a prior group plan. The Municipal Board of Trustees will now determine the schedule for payment by employers for the upgrade of employees.

- The Municipal Board of Trustees can determine the schedule for payment of any unfunded liability created when a municipality enters VMERS and transfers prior service accrued by their employees. This is attractive for non-participating municipalities when considering a transfer of their existing retirement system to VMERS.

As always, please contact the Retirement Office at 1-800-642-3191 if you have questions about these changes and how they may affect you.

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